

BELLSOUTH

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July 15, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street N.W., Room 222
Washington, D.C. 20054

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: CC Docket No. 95-116, Number Portability


Dear Mr. Caton:

On Monday, July 14, 1997, Ms. Linda Lancaster, Mr. William Shaughnessy and the undersigned met with Mr. Lloyd Collier, Mr. Patrick Donovan, Mr. Neil Fried, Mr. Jim Schlichting, Mr. John Scott and Mr. Len Smith regarding number portability cost recovery. The attached document served as the basis for our discussion.

Two copies of this notice are filed in accordance with Section 1.1206(a)(1) of the Commission's rules.

Please call me with any questions on this matter.

Sincerely,



Cynthia K. Cox

Attachment

cc: Lloyd Collier (w/o attachment)
Patrick Donovan (w/o attachment)
Neil Fried (w/o attachment)
Jim Schlichting (w/o attachment)
John Scott (w/o attachment)
Len Smith (w/o attachment)

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Local Number Portability BellSouth

Principles of Competitive Neutrality

- A “competitively neutral” cost recovery mechanism should not give one service provider an appreciable, incremental cost advantage over other service provider, when competing for specific subscriber.”
(FCC 96-286, Para 132)
- Cost recovery mechanism should promote fair competition for service between LECs and CLECs by making it impossible for the support mechanism to favor or promote one competitor over another.
 - *Customers should make the decision to change service providers based on factors driven by competition not by the cost recovery mechanism*

“The cost of establishing telecommunications numbering administration arrangements and number portability shall be borne by **all telecommunications carriers** on a **competitively neutral** basis as determined by the Commission.” (Section 251(e)(2) of 1996 Act).

What Are the Drivers of LNP ?

LNP is a new call processing paradigm ...

- Which results in a new architecture for call completion that requires:
 - Capacity requirements (e.g. switch processors, SS7 links, LNP SCPs)
 - Intelligence to complete call (e.g. switch software, AIN software development)
 - Ability to exchange data between networks (e.g. NPAC SMS, provisioning & repair gateway)
- Which puts new demands on Customer's Service Assurance Levels that requires:
 - Fundamental changes to existing Legacy Systems (e.g. Billing, provisioning, ordering and maintenance)
- ***Which requires ILECs to incur the bulk of the costs for successful implementation of LNP;***

Costs Necessary for LNP

TYPE 1: Costs of Installing & Administering Regional NPAC

Plus

TYPE 2: Direct Carrier- Specific Costs

Equals

Total LNP Costs



- All Type 1 & Type 2 costs must be incurred for LNP to be successful.
- All Type 1 & Type 2 costs must be treated the same.

Cost Recovery Issues

- Each carrier bearing their own costs is not competitively neutral;
 - A nationwide cost fund is most competitively neutral solution:
 - Include all telecommunications carriers;
 - Include all Type I & Type II costs;
 - Most competitively neutral allocator is “EALs”
 - Use of retail revenues is also competitively neutral;
- FCC has authority but must act quickly and decisively:
 - Major costs will be incurred in 1997 for LNP;
 - Recovery mechanisms: End user charge, exogenous treatment, etc;
 - If portion of cost recovery deferred to states--FCC must give strong guidance on:
 - Declaration that Type I & Type II costs must be recovered;
 - Timing considerations;
 - Flexibility needed in states;
 - Participating carriers;